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# THE HISTORY OF THE JOINT STOCK COMPANY

C. E. WALKER

THOUGH it is not possible to discover instances of the joint stock company in England before the middle of the sixteenth century, it must at the same time be recognized that before that date there were tendencies that would make its ultimate establishment inevitable.

As early as 1407 the Bank of St. George at Genoa had been established. The trade of the Italian city states was already including western Europe in its scope and Italian finance consequently exerted an important influence in England. Naturally the methods and organizations employed were copied to some extent abroad. There were two main lines of development which might result in the formation of a joint stock body. These were the medieval partnership and the growth of the idea of a corporation. The canonist doctrine on the use of capital discouraged loans while it encouraged the formation of partnerships. There were the "Commenda" and "Societas," both of which were in frequent use on the Continent and were forms of the medieval partnership. In the commenda the commendator provided the capital and the commendatarius managed the investment; in the societas both contributed capital. In 1284, 1296, and 1312 certain Italian societas were granted rights to trade in England. However, in 1345, the Italian banker, Bardi, and several foreign firms failed, and as a result, when need of capital arose to provide for industrial expansion, there was little inclination in England to copy the form of the Italian societas.

## THE EARLY TRADE GUILDS

Many characteristics of the joint stock company appeared first in the early Anglo-Saxon and Anglo-Norman social guilds.

*Perpetual Succession.* A guild established by Orcy at Abbotsburg before the Norman Conquest was granted property for the guildship "to possess now and henceforth." Later other guilds were founded "evermore to lasten," and others, "to abyde, endure, and be maynteyned without end."

*Use of the Common Seal.* A method was required by which the act of the whole body could be identified. In the records of the Fuller's Guild of Lincoln made in 1337, mention is made of the fact that "at the special request of the brethren and sistern, certain ordinances were sealed with the official seal of the Deanery of Lincoln in order to have greater proof thereof in time to come." The use of the seal became quite general during the latter part of the thirteenth and during the fourteenth century.

*Monopoly.* Members were described as "brethren and sistern" and there was a tendency toward fostering a spirit of exclusiveness toward all outsiders. In many cases candidates for admission had to swear not to betray their affairs, from which practice there emerged the monopolistic idea in certain of the trading guilds.

*Management by Committee or Board.* The government of the early guilds was committed to an alderman, who was the chief official, to one or more wardens or stewards, who had charge of the property, and to a dean or clerk, who summoned members to the meetings and kept a register of members. Later, in the Guild of the Holy Trinity at Lancaster, the governing body consisted of "twelve good and discrete men."

*Gilda Mercatoria.* Very soon after the Norman Conquest there appeared a new development in the form of the "gilda mercatoria." Its chief function was to regulate the trade monopoly conveyed to the borough by royal grant. The grant implied that the guildsmen had the right to trade freely in the town and to impose payments and restrictions upon others who desired to exercise that privilege. Although social guilds already existed, from this time both

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continued to flourish side by side. In the gilda mercatoria trade was confined within the circle of its own members. A member of the guild was prohibited from joining with a non-member in the prosecution of any enterprise. A member was required to share any purchase he had made, with other members who wished to participate at the same price. It may be assumed that the officials of the guild collected the funds from the members before the goods were delivered to them, and thus the transaction resolved itself in its essentials into a "joint stock" followed by a commodity division. The early gilda mercatoria was organized in a similar way to the social guilds. Later, the governor and his assistants administered the affairs of the guild.

*Framing of By-Laws.* As the activities of the guilds increased greater importance was attached to the framing of by-laws, since they provided a mechanism for expressing and recording the will of the members as a community.

### THE REGULATED COMPANY

With the progress of industry it began to appear that circumstances rendered the guild merchant rather a hindrance than a help to trade. In the fourteenth century the guild was beginning to be replaced by specialized associations of traders such as craft guilds and companies of merchants. As early as 1216 concessions were granted by the king to the Merchant Adventurers, a body organized for overseas trade. There is a gap, however, occasioned by the dominance of foreigners in the external trade of England. Not until 200 years later were grants officially sealed regulating the incorporation of companies to engage in foreign trade. These were made to companies engaging in trade with the countries bordering on the North Sea and the Baltic, the earliest being to the merchants trading with Prussia. Permission was granted these by the king to meet each year, on the feast of St. John, to elect a governor, who was given power of executing justice amongst English merchants in the respective territories, and of protecting the concessions they had obtained. In 1404 the members were authorized to meet as often as they pleased, and provisions were made for the appointment of deputies.

*Corporate Action.* Powers were given to make statutes and ordinances for the better government of the body, and the governor was permitted to punish "rationally" any English subjects who disobeyed these rules, thus opening the way for the establishment of a monopoly. Similar grants were made to the merchants trading in Holland, Flanders, Norway, Sweden, and Denmark. In 1505 a charter was granted to The Fellowship of the Merchant Adventurers of England. Besides the governor there were to be elected "four and twenty of the most sadd, discreet, and honest persons" to be called assistants to the governor; of these thirteen were to constitute a quorum. Those who refused to serve were subject to a fine of £20. Members acted as a body in the forming of by-laws, thus establishing the principle of corporate action.

Independent partnerships were formed because of the rule that members might not join with non-members, and because of the antagonism between the ideas of the regulated company and the commenda. A freeman who owned a ship took a mariner into partnership, the latter receiving a share of the profits. Such partnerships could trade with any person. Both this and the former practice were contrary to the whole spirit of the regulated company.

The regulated companies laid great stress upon apprenticeship, and membership was confined to legitimate merchants, i.e., those who had been apprentices. About the middle of the sixteenth century, Merchant Adventurers permitted apprentices to employ capital "under lock and cover of their masters' trade." In 1554 it was ordered that no investment might be made during the first five years of apprenticeship. At the expiration of that time it could be only £20 and after a further three years £40 "in joint stock with their employer."

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JOINT STOCK ENTERPRISES

The forerunners of the first joint stock company were large partnerships formed for working the tin mines of Cornwall. In the time of Edward VI a partnership was formed for the smelting of iron, and soon after, the development of the textile industry in England resulted in increased demands for capital.

Neither the partnership nor the medieval societas form of organization was satisfactory when demands for capital became more urgent to meet the requirements of a new industrial development. The partnership form could provide the necessary capital only by introducing a large number of partners, and the societas had not a sufficiently elaborate organization for the government of an extended membership. Yet the system had been developed in the guild-merchant and the early regulated companies and it required only the stimulus of a suitable occasion to graft the company form of organization into the partnership.

At the beginning of the sixteenth century the progress of maritime discovery was greatly extending foreign trade and it was in the interests of this branch of commerce that capital was most urgently needed. Then, too, the Reformation, in liberating capital from the position it had occupied under the Church, forced England to work out independently the corporate organization of capital.

Henry VIII wasted the wealth that had come to him from the monasteries, and his extravagance resulted in the debasement of the coinage and the contraction of a debt which involved an annual charge on the revenue of the crown of £40,000 a year. During the following years his loans increased until about the middle of the century the interest payments abroad were so great that there was a continual drain on the capital of the country. At the same time, the national production was much less than it had been earlier in the century and the capital of the country was being seriously depleted. Attempts were made to secure higher returns on available capital and the more enterprising merchants were forced to give attention to foreign trade. Already the Merchant Adventurers, the Staplers and the Eastland Company had control of the chief trade routes known at the time. Those anxious to seek out foreign trade must necessarily go further afield. Larger amounts of capital were required and it seemed necessary to form some kind of joint stock company. In trading to a more distant country larger ships would be needed and the loading of goods belonging to a number of adventurers in one ship, accompanied by the factors in charge of the goods, would produce inextricable confusion. Therefore, when trade was opened with Russia and Africa, it was apparent that it should be formed on a joint stock basis.

*The Russia Company and the Africa Company.* The first English joint stock company of importance was the Russia Company founded in 1553. In the same year another joint stock enterprise was formed to trade with Africa. Of the former company, Sebastian Cabot was one of the founders and it was possibly because of his knowledge of the joint stock system in Italy that it was decided that there should be "one common stock of the Company," and that no member might trade on his own account. Three thousand pounds was subscribed by calls of £25 per share, the amount being devoted to the purchase of three ships and goods suitable for the trade. Two vessels were lost in the ice, but the third succeeded in reaching Archangel and the commander obtained extensive privileges and concessions for the company. A charter was secured in 1555 reserving to the company the sole right of trading with Russia. The charter described the organization as "one bodie and perpetual fellowship and communaltie." The name was in reality a concise epitome of the whole objects of the company, viz., "*The Merchant Adventurers of England for the discovery of lands, territories, isles, dominions and seignories unknown, and not before that late adventure of enterprise commonly fre-*

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*quented.*" Because of the inconvenience of the long name, an Act of Parliament was passed in 1566 authorizing the change to "The Fellowship of English Merchants for the Discovery of New Trades."

The constitution described in the charter provided that members had the right of assembling and electing officers. Sebastian Cabot, the first governor, was to hold office for life. After his death two might be elected. Twenty-eight other persons were elected, four of whom were "consuls" and the remaining twenty-four were "assistants." To form a quorum, each of the three orders must be represented, viz., by the governor, two consuls, and twelve assistants. There were no regulations relating to the votes of members or their rights or obligations. Powers were given to make orders necessary for the governing of the trade. In studying the company history it is apparent that as difficulties arose attempts were made to deal with them in the charters of later companies. In 1564, a formal minute was passed authorizing calls on the "shares." In 1553 African trade was reopened, and expeditions were promoted by five chief adventurers each of whom had partners under him. Although not incorporated they were frequently referred to as companies.

*Mode of Capitalization.* The Russia Company owned ships, whereas the Africa Company hired them. Each African expedition was financed by separate capital, and on completion of the venture the accounts were wound up. The Russia Company also acquired property in Russia which necessitated that the capital continue permanent for a considerable period. The original capital was £6,000 in shares of £25 each; in 1563 a further £115 had been paid on each share and the capital was £33,600. Following a financial crisis in 1563-64 a further call of £60 per share, making £200 in all, was made, thus bringing the capital up to £48,000. In these earlier companies possibly through the influence of the early religious guilds, the number of shares was almost invariably a multiple of twelve. The original became unaltered, but if sums called up became inconveniently large, the shares were divided into fractions. In 1566 the profits earned were from twelve per cent to twenty per cent. Because of the very high prices exacted for English goods the company lost the support of the Czar and in 1570 privileges in Russia were suspended.

*New Charters Granted.* In 1568 charters were signed, incorporating two new undertakings: "The Governors, Assistants, and Commonalty of the Mines Royal," and "The Governors, Assistants, and Society of the Mineral and Battery Works." Up to this time the word "company" had not been used in names of any of the joint stock bodies.

In the grant to the Mineral and Battery Works "the incorporation was granted, so as to prevent the great inconvenience which might otherwise arise on the deaths of the then-existing partners." Government under both these charters was by "governors, deputy-governors, and assistants," twelve persons in all.

These two companies were closely associated, several persons owning shares in both. Calls were made as new capital was required, and in 1569, £850 was required upon each of the twenty-four shares of the Mines Royal. At that time the capital of the Russia Company was £48,000, the Mines Royal, £20,400, and the Mineral and Battery Works, £7,200. The Africa Company financed each adventure separately, dividing the spoils when the venture terminated.

*Business Transacted.* The Russia Company purchased chiefly cordage and timber for masts and established a new market for English woollen goods. The Africa Company imported gold, ivory, and spices.

Queen Elizabeth took an interest in the Africa Company and lent the adventurers four men-of-war on the condition that she receive one-third of the profits, although the original adventurers were to be liable for the whole of the capital. In return for the loan, she received £1,000 and was saved

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the cost of maintaining her ships for nearly a year.

The Mines Royal Company was granted the privilege and control of the production of cannon. The charter was originally given to two partners, but later, finding themselves short of capital, they divided the undertaking into twenty-four shares, half of which were sold in Germany and half in England. The discovery of gold, copper, and silver soon after the company's organization raised expectations of large profits, and premiums as high as £1,200 were paid for shares in the company. The price of shares rose so high that they became difficult to sell and in 1571 shares were first sub-divided and sold in halves, quarters, and eighths.

*Management by Directors.* The shareholders did not take part personally in the management of the business. The directors, however, were governed by rules or orders passed by the shareholders at general meetings. The shares could be disposed of by the shareholders but no person could become a shareholder of the Mines Royal Company unless he owned a certain amount of real property.

*Voting Control.* As the business of the Mineral and Battery Works increased the company leased certain of its properties located at some distance from the main factories to three shareholders at a rental of £150 per year for three years. One of the shareholders, Sir Richard Martyn, succeeded in purchasing shares in the company until he held a quarter interest. He then used his voting power to reduce the rental to £40 per year.

*Dividends out of Capital.* Up to this time the idea that the capital was a fund that must be kept intact was unknown. Dividends were frequently paid out of capital, each shareholder receiving a return in proportion to his holdings. The shareholders of the Mineral and Battery Works, nevertheless, left the earnings in the business and the company was able to finance its expansion out of profits.

Following the defeat of the Armada in 1588 there was a serious trade depression until 1603. In 1598 the Russia Company again proved unfortunate and suffered heavy losses in trade and ships. In 1600 a group of its members formed the East India Company, the capital coming largely from Drake's privateering in his voyage around the world. The East India Company yielded large profits and the Russia Company again proved successful chiefly in its whaling voyages. Trade with Africa was reopened and during the period from 1603-1620 there was a marked revival of overseas commerce and many new companies came into existence. Two Virginia companies were granted charters in 1606, and in 1619 a company was formed to trade with and occupy Guiana. In 1620 a New England company received its charter, and in 1621 the Nova Scotia venture was begun. In the period from 1609-1613 the East India Company yielded a profit of 234 per cent, while the Russia Company earned ninety per cent annually in the years 1611 and 1612.

### THE LIMITED LIABILITY COMPANY EMERGING

From the foundation of the East India Company, the word "company" was invariably attached to the name of the body established, and the word and idea of "society" gave way to it. The full title of the East India Company was "The Governor and Company of Merchants of London trading into the East Indies." In the newly organized Africa Company incorporated in 1618, there was a governor, a deputy-governor, and twelve directors, the use of the term "director" appearing in the charter, for the first time. The East India Company required new members to pay a premium in addition to the agreed price, "a certain sum for his freedom."

Capital in the East India Company for each voyage was distinct although in some cases merged. The sums paid in by the shareholders for the first voyage in 1601 were consolidated with those who "adventured" in the second in 1603. In 1603 a new method was adopted by which subscrip-

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tions extended over four years and in 1617 "the Second Joint Stock was to last for eight years." Companies formed to develop industries, however, had permanent capital.

The original plan of making calls on shares confined membership to the wealthy. Therefore, two methods were adopted of attracting the small investor, that of dividing the shares, and that of admitting "under-adventurers," the smaller investor purchasing a part of a member's share.

*Par Value Shares.* In the case of the East India Company shares of fixed or nominal value were first introduced. There was, however, considerable latitude in the number of shares issued and the amount increased from £250 each on the first voyage to £550 on later voyages. A Virginia company issued two classes of shares, "great" shares for £12.10s., and "half" shares for £6.5s. The New England Company also had two classes of shares, one with a par value of £110 each, the proceeds of which were used to finance exploration trips, and another class of £50 each, the proceeds of which were used to develop the fishing industry. In 1613, East India Company adventurers subscribed for shares of £400 each payable in four equal annual payments. Some persons were thus proprietors of the thirteenth, fourteenth, fifteenth, and sixteenth voyages, each of which had a distinct capital on which a division of profits and capital was made. No distinction was made, however, between capital and profit.

*Use of the Word "Capital."* Certain East India merchants and Venetian merchants became associated in a company organized to trade in the Levant. As a result the system of bookkeeping used in Italy was introduced into England and with its introduction the term "capital" seemed also to have been adopted. So that a correct accounting might be given for each voyage, the investment in each was considered as "a capital." In 1623, a record was made on the books of one of the Virginia companies of the distribution of "half a capital of the first year's adventure."

*Public Subscription.* As early as 1615 shares were offered for public subscription, in many cases by auction. The governor and committees of the East India Company ordered that £200 paid up on the first joint stock should be auctioned "whereby they may better know the worth of their adventurers, which will give a good reputation to the voyage, if it shall be sold."

*Voting Rights.* In 1620 rules were first made to determine the relation of votes to shares. The East India and Virginia companies decided matters by show of hands of persons present, whereas a resolution of the Mines Royal declared "the voice of everyone having a quarter part is to be held of as great account as the voices of two others, having but half-quarter parts apiece, to be esteemed as so many several persons having but a half-quarter apiece." The Mineral and Battery Works Company required a quorum of twelve shareholders.

*Limitation of Liability.* In the Fishery Society, a subsidiary of the East India Company, a heavy loss had occurred in 1633 and 1634 and it was resolved that further capital subscribed should be exempt from any liability for this deficit. Again in the Mosquito Island Company it was agreed that any member who had paid calls up to £1,000 a share might elect "not to go farther" in which case he would be free from further calls.

*Voting by Ballot Abolished.* In 1629 the East India Company established the practice of voting by ballot, whereby the voting right of each holding was made equal. Mines Royal and Mineral and Battery Works shareholders voted in proportion to shares owned. In 1637, King Charles I had recommended the shareholders of the Merchant Adventurers to choose one Edward Messaldin as its deputy at Rotterdam. The members in a vote by ballot refused to accept the nomination whereupon the king in council ordered that in future no company should use the ballot box in the conduct of business.

*Free Access to Books Refused.* After the amalgamation of the Persian voyages

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with the third voyage of the East India Company had been approved by a general court, a motion was made for the appointment of a committee of inspection. The governor refused to put the motion to the meeting or to record it on the minutes. It was found that owing to the factious nature of the opposition, shareholders had copied accounts and documents and made ill use of them by divulging secrets of the company. It was therefore resolved that in future no one should be permitted to read or copy documents without the consent of the committees.

*Limited Liability.* In 1662 an Act of Parliament was passed enacting "that Subscribers to the East India, Africa, and Fishery companies should not pro tanto be subject to the law of bankruptcy, in the event of losses being incurred by any one of the companies named." This reduced the liability of the shareholders to the amount unpaid on their shares, a distinct advantage over unincorporated companies and syndicates.

*Permanent Capital.* The capital subscribed by shareholders of the East India Company in 1658 had been adventured for seven years only and therefore its affairs should have been closed in 1665. Their balance sheet in 1664 showed net assets of 130 per cent and a dividend of forty per cent was actually declared payable in August 1665, yet the stock, cum dividend, was selling at only seventy per cent of the amount paid. Had the stock been wound up it would have been very difficult if not impossible to secure new capital and the court decided that the stock should be made permanent.

*Prospectus.* In Scotland in 1681 a cloth manufacturing company was founded at New Mills in Haddingtonshire. The management of this and other Scotch companies was assigned to a group of persons corresponding to our directors of today although they were described as managers. At its formation a memorial or prospectus was circulated which fixed the share capital at £5,000 and elaborate calculations were submitted to show how a profit of twenty-five per cent on the capital was anticipated. None but "actual trading merchants" might become shareholders. Costs of cloth were learned and profit added to yield income on the capital of the company. Bales were then distributed among the members by lot at the prices arrived at. The shareholders were really a regulated company as retailers and a joint stock one as manufacturers. No dividend was to be paid for three years and then only five per cent for three years. After seven years shareholders were allowed to withdraw the capital they had subscribed.

*Stock Dividend.* In 1682 the East India Company doubled its capital. The nominal capital consisted of stock on which fifty per cent had been paid up. The company had built up a large reserve fund out of earnings, but up to this time no distribution of bonus shares had been made from a reserve fund. Instead of declaring a 100 per cent cash dividend the court decided to extinguish the liability for the fifty per cent unpaid, thus virtually declaring a 100 per cent stock dividend.

*Stock Quotations Published.* During the latter part of the seventeenth century the growth of industry became quite marked and in 1692 John Houghton began to circulate a newspaper, intended to record the industrial progress of the time. In this he published current quotations of the shares of companies, and in May, 1694, his newspaper showed the listing of the shares of some fifty-two companies. These companies were of three general classes: incorporated by charter, incorporated by patent, and incorporated without charter or patent. It is recorded that by 1695 dealings were taking place in the shares of no less than 137 joint stock companies. In addition to the activities already mentioned, companies at this time were engaged in such undertakings as sawmills, stage-coach lines, and industries manufacturing whalebone whips, leather goods, powder, glass, paper, broadcloth, wool-cards, sail cloth, ropes, cordage, sugar, rum, and soap.

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*Smaller Par Value of Shares.* Shares were now issued with a nominal value and those issued after 1688 were of smaller amount, and the number increased.

*Calls and Forfeiture.* Owing to the scarcity of capital it was found impossible to secure full payment at the time of subscription. On the whole shareholders were dilatory and in many cases paid only under pressure. In the charters of the Sword Blade Company and of a copper mining company incorporated in 1690 a clause first appeared rendering shares on which calls were in arrears liable to forfeiture.

*Directors Fees.* In many cases the directors received no fixed fees. In the Bank of England the directors "submitted themselves wholly to what the generality allowed them." In other companies the fee was based on attendance at meetings the amount varying from 2s.6d to £1 per meeting. In the New Mills Company each manager received £12 per year.

Fines were also imposed for lack of punctuality and in some cases particulars were stated as to "the clock by which the degree of lateness should be decided."

*Stock Exchange.* In the period 1690-95 stock exchange dealings were first developed. Time bargains were entered into, options were purchased, and fluctuations were quite as marked as today. Brokers' fees were fixed at 5s per share. In 1690 an English linen company issued its shares at £10 and in the following year a second allotment was made at £50 per share. In 1692 quotations of this stock declined from £42 to £29. Shares in Welsh copper in 1694 were £32 and in 1695 only £10. Bonus shares of a linen corporation were divided to the shareholders of the parent concern by arrangement with the founder of the original company. This practice resulted in investors anticipating such practice and bidding heavily for shares of companies likely to follow the practice.

*Original Objects of Company.* A company incorporated as The Mine Adventurers Company had been fairly successful and its shares remained steady even during the crisis of 1697. In 1698 Sir Humphrey Mackworth formed a syndicate which proposed to buy out the existing shareholders on behalf of a new company. They might sell their shares for cash at £20 per share or convert them into so-called bonds of the new undertaking. These bonds were then drawn not for repayment but as tickets in a lottery where the prizes were shares in the new company. The bonds were entitled to a fixed dividend of six per cent and to repayment of the principal, while the shares were entitled to the remaining profits. The effect of this arrangement was to increase a capital valued at £9,600 in the market of 1697, to one of £205,160 nominal, and this was augmented by a further issue of shares. A charter was granted in 1704 and to aid in its financing it was decided to set up a banking business and to make a further issue of shares. Calls were not promptly paid and in 1706, the subscribers' accounts stood at £20,550.

The confidence of the public was held until 1707 when signs of mismanagement became apparent. The deed to give authority to establish the bank "had been mutilated, orders were issued to keep the accountant's office locked and no person was allowed to inspect books without an order of the court." The creditors of the bank pressed urgently for their money and accusations of fraudulent management became general. They applied to Parliament, and for redress the House of Commons ordered an inquiry. In 1711 an act was passed declaring all shares other than the original as illegal, and members who paid the whole or part were to be declared creditors.

*Joint Stock Company Comes into Disrepute.* Joint stock companies were formed in great numbers about this time and by 1720 the capital of such companies in England reached an aggregate of £50,000,000, which represented thirteen per cent of the entire national wealth.

The climax of the situation was reached in the failure of the South Sea Company

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whose affairs were so closely related to the finances of the state. At the time of its collapse it possessed control of funds equal to the whole trading wealth of the country.

Joint stock companies now came to be regarded with strong disfavor and about this time The Bubble Act was passed, declaring such companies to be common nuisances and indictable as such.

This act was not formally repealed until 1825, but in the meantime it proved quite ineffectual to check the growth of joint stock companies. The government found that such companies had to be tolerated, and resorted to a wiser course of regulating what it could not repress. One of the great evils of this type of company arose from the fact that it was unincorporated. Such companies were formed of large groups of individuals, and a person dealing with them did not know with whom he was contracting or whom to sue.

### THE COMPANIES ACTS

In 1833 the crown was empowered to grant to companies by letters patent the privilege of suing and being sued by a public officer. In 1844 companies, with a few exceptions, were enabled to receive a certificate of incorporation without applying for a charter. By The Companies Act of 1862 all associations of more than twenty persons were prohibited from carrying on business without registering under that act.

The most important of the joint stock companies, the East India Company, was finally dissolved in 1874. The Africa Company ceased to exist by an act of 1821. By an act of 1870 the Hudson Bay Company was still to trade in its corporate capacity, and to be paid £300,000 by the Canadian Government for its franchise. The South Sea Company was deprived of its exclusive privileges in 1815.

"The real vitality of the joint stock enterprise lay in the coöperative principle, and the natural growth and expansion of this fruitful principle was checked until the middle of the nineteenth century by the notorious risks attached to unlimited liability. Failures like those of Overand and Gurney and of the Glasgow Bank caused widespread misery and alarm."

The Companies Consolidation Act of 1908 replaces the Companies Act of 1862 and authorizes the formation of three classes of companies, viz.,

(1) Companies limited by guarantee.
(2) Companies with limited liability.
(3) Companies with unlimited liability.

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